

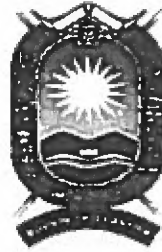
BUFFALO CITY
METROPOLITAN MUNICIPALITY

AGENDA

BUFFALO CITY METROPOLITAN COUNCIL

29 OCTOBER 2014

11.00 A.M.



**BUFFALO CITY
METROPOLITAN MUNICIPALITY**

BUFFALO CITY METROPOLITAN COUNCIL

The following supplementary report is circulated for consideration by the Buffalo City Metropolitan Council at its meeting to be held on

WEDNESDAY, 29 OCTOBER 2014

at

11.00 A.M.

in the

BORDER CONFERENCE CENTRE
(Abbotsford Christian Centre)


COUNCILLOR L.E. SIMON-NDZELE

SPEAKER

JFA/LJH/MG/avdb/lb
(AGENDAS/2014/7BCMC29-10)

City Hall
Oxford Street
EAST LONDON

20 October 2014

REPORT

17. Matters Outstanding

<u>Item No.</u>	<u>Subject</u>	<u>Page No.</u>
12	MATTERS OUTSTANDING from previous meetings of the Buffalo City Metropolitan Council	1020

BUFFALO CITY METROPOLITAN COUNCIL : 29/10/2014

(K) MINUTE NO. BCMC 390/14 :
 MINUTE NO. BCMC 329/14 :
REPORT ON FUNCTIONALITY OF BCMM WARD COMMITTEES 4TH
 QUARTER (MAY – JUNE)

RESOLVED:

1. That a Multi-party Committee for the establishment of Ward Committees be convened to investigate the reasons for Wards 1, 10, 31 and 41 not convening both Ward Committee and Public meetings for the 2013/2014 Financial Year; and further that a progress report in that regard be submitted to the **Council meeting scheduled for 29 October 2014.**
2. That a Multi-party Committee for the establishment of Ward Committees be convened to investigate the reasons for Wards 25 and 28 not convening Ward Committee meetings for the 2013/2014 Financial Year; and further, that the outcome thereof be incorporated into the report referred to in paragraph (1) hereof.

[NOTE: At the time of going to print the report which is required in terms hereof had not been submitted.]

(L) MINUTE NO. BCMC 391/14 :
 MINUTE NO. BCMC 340/14 :
NATIONAL ENERGY REGULATOR TARIFF APPROVAL 2014/2015

RESOLVED:

That, in light of Resolution No. 1 of Minute No. BCMC 340/14 dated 27 August 2014, an Adjustment Budget be furnished by the Executive Mayor to the **Council meeting scheduled for 29 October 2014.**

[NOTE: The report required in terms of this resolution is attached hereto and the above heading will be amended to reflect the content of the report, during the minute writing process.]

REPORT TO COUNCIL: 29 OCTOBER 2014

File: 5/1/3/3

Author: EXECUTIVE MAYOR (ZN)/af/vp

2014/2015 – 2nd ADJUSTMENT BUDGET**1. PURPOSE**

The purpose of the report is for Council to consider and approve the 2014/15 2nd adjustment budget report.

2. AUTHORITY

Buffalo City Metropolitan Council.

3. LEGAL/STATUTORY REQUIREMENTS

- 3.1 The Constitution of the Republic of South Africa, 1996
- 3.2 Municipal Finance Management Act No. 56 of 2003
- 3.3 Municipal Budget and Reporting Regulations, 2009
- 3.4 Electricity Regulator Act, 2006 Act No.4 of 2006

4. BACKGROUND

The 2014/15 MTREF Budget was approved by Council on 28 May 2014 in accordance with Section 24(1) of the MFMA.

In terms of Chapter 4 Sections 28(1) to (7) of the Municipal Finance Management Act No. 56 of 2003,

“(1) A municipality may adjust an approved budget through an adjustment budget.

(2) An adjustments budget –

- (a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
- (b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*
- (c) may, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;*
- (d) may authorize the utilization of projected savings in one vote towards spending under another vote;*

- (e) may authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by council.*
- (f) may correct any errors in the annual budget; and*
- (g) may provide for any other expenditure within a prescribed framework."*

On the 27 August 2014 the City Manager tabled an exigency item report to Council detailing the events leading up to Council approving an 8.5% increase in electricity tariffs and the subsequent events that have influenced the Council to implement NERSA's approved average tariff increase of 7.39%. (Attached and marked "Annexure A", is a copy of the report.)

The reports recommendation was adopted by Council, Minute No BCMC 340/14 dated 27 August 2014. (Attached and marked "Annexure B", is a copy of the minute.)

5. EXPOSITION OF FACTS

The 2nd adjustment budget is being prepared as informed by NERSA's electricity tariff approval letter dated 30 June 2014 and the report of the City Manager and subsequent Council resolution BCMC 340/14. (Attached and marked "Annexure C", is a copy of NERSA's letter.) (see financial implications 8.1) In terms of NERSA's approval of 7.39% on the 30 June 2014 resulted in a decrease of the electricity revenue projections. In order to effect the decrease and not adversely affect the deficit being reported, the debt impairment budget and electricity revenue projection was decreased by R16 million.

The operational movements between budgets included in this report have been approved by the Chief Financial Officers interaction with the relevant Directorates.

The following table provides a detailed high-level summary of the Operating Budget Adjustments. No adjustments have been made to the Capital Budget.

2014/2015 2ND ADJUSTMENT BUDGET REVENUE & EXPENDITURE FRAMEWORK	2014/2015 1ST ADJ BUDGET	2014/2015 2ND BUDGET ADJUSTMENTS	2014/2015 2ND ADJ BUDGET	2015/2016 ADOPTED BUDGET YR2	2016/2017 ADOPTED BUDGET YR2
Revenue Per Source					
Assessment Rates	(826 221 072)	0	(826 221 072)	(919 584 053)	(1 023 497 051)
Refuse Charges	(251 704 249)	0	(251 704 249)	(262 663 871)	(317 431 528)
Sewerage Charges	(252 868 652)	0	(252 868 652)	(278 914 123)	(307 642 278)
Trade Effluent	(18 339 984)	0	(18 339 984)	(20 229 003)	(22 312 590)
Water Charges	(370 613 268)	0	(370 613 268)	(425 278 725)	(488 007 337)
Electricity Charges	(1 511 514 216)	16 000 000	(1 495 514 216)	(1 639 992 730)	(1 779 391 917)
Fire Levy	(56 669 204)	0	(56 669 204)	(61 939 440)	(67 689 808)
Fuel Levy	(361 639 000)	0	(361 639 000)	(375 787 000)	(393 084 000)
Grants and Subsidies	(873 058 715)	0	(873 058 715)	(940 779 225)	(1 049 334 628)
Fines	(9 400 009)	0	(9 400 009)	(10 293 009)	(11 250 259)
Housing Rentals	(140 168)	0	(140 168)	(153 483)	(167 757)
Other Rentals	(16 872 857)	0	(16 872 857)	(18 475 778)	(20 194 026)
Income Foregone	30 763 671	0	30 763 671	34 301 493	38 246 164
Other	(287 590 570)	0	(287 590 570)	(307 740 622)	(329 333 483)
Total Direct Operating Income	(4 805 868 293)	16 000 000	(4 789 868 293)	(5 247 529 569)	(5 771 100 498)
Expenditure Per Category					
Salaries, Wages & Allowances	1 239 915 012	0	1 239 915 012	1 323 020 691	1 414 808 151
Remuneration of Councillors	52 254 296	0	52 254 296	55 899 604	59 800 084
Debt Impairment	203 074 220	(16 000 000)	187 074 220	223 598 332	245 958 165
General Expenses	740 132 252	0	740 132 252	787 956 476	837 170 473
Operating Projects	288 437 823	0	288 437 823	329 136 923	440 947 900
Bulk Electricity Purchases	1 029 452 182	0	1 029 452 182	1 111 808 357	1 200 753 025
Bulk Water Purchases	172 403 915	0	172 403 915	188 437 479	205 962 165
Repairs & Maintenance	332 248 819	0	332 248 819	362 430 894	397 314 303
Finance Charges	59 248 068	0	59 248 068	54 122 904	49 128 885
Depreciation	710 000 000	0	710 000 000	809 574 423	850 053 145
Total Direct Operating Expenditure	4 827 166 587	(16 000 000)	4 811 166 587	5 245 986 083	5 701 896 296
Internal Charges	828 934 489	0	828 934 489	832 704 581	836 821 408
Total Operating Expenditure	5 656 101 076	(16 000 000)	5 640 101 076	6 078 690 664	6 538 717 704
Internal Recoveries	(828 934 489)	0	(828 934 489)	(832 704 581)	(836 821 408)
Sub-Total	4 827 166 587	(16 000 000)	4 811 166 587	5 245 986 083	5 701 896 296
Off-Set Depreciation	0	0	0	0	0
Total Operating Expenditure	4 827 166 587	(16 000 000)	4 811 166 587	5 245 986 083	5 701 896 296
(Surplus) / Deficit	21 298 294	0	21 298 294	(1 543 486)	(69 204 202)
Capital Transfers					
Transfers Recognised - Capital	(724 160 277)	0	(724 160 277)	(765 256 600)	(794 671 100)
Contri. Recognised - Capital	(458 860)	0	(458 860)	0	0
Capital Transfers	(724 619 137)	0	(724 619 137)	(765 256 600)	(794 671 100)
(Surplus) / Deficit After Cap. Trf & Contri.	(703 320 843)	0	(703 320 843)	(766 800 086)	(863 875 302)

6. CHALLENGES

The reduction of R16.0 million in anticipated revenue from electricity sales without a corresponding adjustment on expenditure would have an adverse impact on the deficit for the institution. In order to compensate for the projected adjustment in revenue, debt

impairment has been reduced which will create additional pressure to improve the debt collection percentage.

7. STAFF IMPLICATIONS

The adjustment budget has no impact staff requirements.

8. FINANCIAL IMPLICATIONS

8.1 The impact of the NERSA tariff approval has resulted in a projected adjustments to the 2014/15 2nd Adjustment Budget of electricity revenue by R16 million. In order to prevent an adverse impact on the institutional deficit for the year, there has been a corresponding reduction in debt impairment by R16 million.

8.2 An amount has been identified within the operational budgeted which was considered in excess of requirements and has been reprioritised as detailed in the below table:

2014/2015 2ND OPERATING ADJUSTMENT BUDGET VIREMENTS				
VOTE NO	DIRECTORATE / DEPARTMENT	LINE ITEM DESCRIPTION	REASON FOR ADJUSTMENT	DIFFERENCE
635/005/1/70/2115	Development Planning - LED	Buffalo City Tourism	Operational Expenditure	5 000 000
635/005/1/75/5055	Development Planning - LED	Special Projects	Heritage Burial	800 000
105/015/1/70/2170	Grants-In-Aid	Sporting Events - Saimsa Games	Saimsa Games	3 000 000
225/010/1/75/2545	Municipal Manager - MPAC	Various Expenditure Items	MPAC Operational Budget	400 000
330/015/1/05/0015	Finance - Debt Management Office	Salaries	Establishment of a Integrated Call Centre	800 000
				10 000 000

8.3 The effects of the adjustments to the 2013/14 Capital and Operating Budget are outlined below:

- A decrease in the Operational Budget of R16 000 000 from R4 827 166 687 to R4 811 166 587
- No increase/decrease in the Capital Project Budget.

9. OTHER PARTIES CONSULTED

- NERSA
- Budget Office
- Electricity Department

10. RECOMMENDATIONS

It is recommended that

10.1 The 2014/15 2nd Adjustment Budget Report be considered and approved by Council.

10.2 The adjustments in the sum of R16 000 000 to the 2014/15 Operating Budget be approved by Council in respect of electricity tariff approval by NERSA.

10.3 The 2014/15 Adjustment Budget in the sum of R5 867 651 293 as reflected in the table below be approved by Council.

OPERATING AND CAPITAL BUDGET EXPENDITURE	2014/2015 ADOPTED BUDGET YR1	2014/2015 1ST BUDGET ADJUSTMENTS	2014/2015 1ST ADJ BUDGET	2014/2015 2ND BUDGET ADJUSTMENTS	2014/2015 2ND ADJ BUDGET	2015/2016 ADOPTED BUDGET YR2	2016/2017 ADOPTED BUDGET YR3
Total Operating Expenditure	4 749 700 442	77 466 145	4 827 166 587	(16 000 000)	4 811 166 587	5 245 986 083	5 701 896 296
Total Capital Expenditure	942 007 423	114 477 283	1 056 484 706	0	1 056 484 706	1 024 127 261	1 069 226 151
Total Opex & Capex Exp Budget	5 691 707 865	191 943 428	5 883 651 293	(16 000 000)	5 867 651 293	6 270 113 344	6 771 122 447

10.4 The Municipality implements the electricity tariff reduction from 8.5% to an average of 7.39% as communicated by NERSA and as approved by Council on 27 August 2014 retrospective from 1 July 2014.


CILLR. Z. NKITHA
EXECUTIVE MAYOR

Annexures:

1. "Annexure A" - City Managers Report dated 27 August 2014
2. "Annexure B" - Council Minute No BCMC 340/14 dated 27 August 2014
3. "Annexure C" - NERSA Tariff Approval Letter dated 30 June 2014
4. "Annexure D" - National Treasury Schedule B Tables, B1 – B10 and SB1 – SB20